

*Charter Township of Big Rapids*  
*Mecosta County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended December 31, 2007*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Charter Township of Big Rapids***  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The following discussion and analysis is intended as a narrative overview of the Charter Township of Big Rapids, Michigan's (the Township) operations over the fiscal year and its financial condition on December 31, 2007.

**FINANCIAL HIGHLIGHTS**

- The Township's total net assets increased \$176,919 (4 percent) as a result of this year's operations.
- Of the \$5,103,608 total net assets reported, \$883,783 is unrestricted and, therefore, available to be used to meet future operating needs at the discretion of the Township Board.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$267,304, which represents 51 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are presented to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). The Township's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
  - The governmental funds statements tell how general government services, like public works and public safety, were financed in the short term, as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business. The Township's proprietary funds account for its construction code inspections department and sewage collection system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2007 and 2006 is also presented.

**Charter Township of Big Rapids**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Government-wide financial statements**

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets - the difference between the Township's assets and liabilities - is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* - These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues generally fund these services.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of operating the Township's sewage collection system and inspections department.

**Fund financial statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by grant agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like capital improvements) or to show that it is properly using certain taxes and other revenues (like the fire protection millage).

The Township has three kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship between them.

**Charter Township of Big Rapids**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

- Proprietary funds. Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
- Fiduciary fund. This fund is used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Net Assets - Agency Fund. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

**Net assets.** Total net assets at the end of the fiscal year were \$5,103,608, a 4% increase compared to the prior year. However, \$3,713,148 of this total is invested in capital assets, net of related debt, and \$579,239 is restricted for various purposes. Consequently, unrestricted net assets were \$811,221, 16% of the total.

Condensed financial information  
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Other assets	\$ 1,196,690	\$ 1,258,069	\$ 577,366	\$ 567,435	\$ 1,774,056	\$ 1,825,504
Capital assets	<u>3,050,392</u>	<u>2,948,451</u>	<u>1,595,090</u>	<u>1,630,528</u>	<u>4,645,482</u>	<u>4,578,979</u>
<b>Total assets</b>	<b><u>4,247,082</u></b>	<b><u>4,206,520</u></b>	<b><u>2,172,456</u></b>	<b><u>2,197,963</u></b>	<b><u>6,419,538</u></b>	<b><u>6,404,483</u></b>
Other liabilities	365,222	486,471	18,374	12,517	383,596	498,988
Long-term debt	<u>902,334</u>	<u>938,806</u>	<u>30,000</u>	<u>40,000</u>	<u>932,334</u>	<u>978,806</u>
<b>Total liabilities</b>	<b><u>1,267,556</u></b>	<b><u>1,425,277</u></b>	<b><u>48,374</u></b>	<b><u>52,517</u></b>	<b><u>1,315,930</u></b>	<b><u>1,477,794</u></b>
Net assets:						
Invested in capital assets, net of related debt	2,148,058	2,009,645	1,565,090	1,590,528	3,713,148	3,600,173
Restricted	506,677	422,855	-	-	506,677	422,855
Unrestricted	<u>324,791</u>	<u>348,743</u>	<u>558,992</u>	<u>554,918</u>	<u>883,783</u>	<u>903,661</u>
<b>Total net assets</b>	<b><u>\$ 2,979,526</u></b>	<b><u>\$ 2,781,243</u></b>	<b><u>\$ 2,124,082</u></b>	<b><u>\$ 2,145,446</u></b>	<b><u>\$ 5,103,608</u></b>	<b><u>\$ 4,926,689</u></b>

**Charter Township of Big Rapids**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Changes in net assets.** In 2007, the Township's total revenues are \$1,257,705. Approximately 26% of the Township's revenues come from property taxes while state revenue sharing represents only 18%. About 33% of total revenues come from charges for services, primarily sewer charges. In 2007, the Township recognized revenues of \$181,067 related to capital contributions which represented 14% of its revenues in the current year.

Condensed financial information Changes in Net Assets						
	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program revenues:						
Charges for services	\$ 97,325	\$ 84,306	\$ 323,694	\$ 319,187	\$ 421,019	\$ 403,493
Operating grants and contributions	47,222	41,737	-	-	47,222	41,737
Capital grants and contributions	114,937	640,436	66,130	201,345	181,067	841,781
General revenues:						
Property taxes	323,532	299,604	-	-	323,532	299,604
State shared revenue	222,302	221,683	-	-	222,302	221,683
Interest income	31,214	37,733	22,913	24,531	54,127	62,264
Miscellaneous	8,436	72,757	-	-	8,436	72,757
Transfers	-	(498,000)	-	498,000	-	-
<b>Total revenues</b>	<b>844,968</b>	<b>900,256</b>	<b>412,737</b>	<b>1,043,063</b>	<b>1,257,705</b>	<b>1,943,319</b>
Expenses:						
Legislative	12,914	9,293	-	-	12,914	9,293
General government	365,050	379,771	-	-	365,050	379,771
Public safety	154,403	170,089	-	-	154,403	170,089
Public works	43,464	40,406	-	-	43,464	40,406
Community and economic development	21,875	22,446	-	-	21,875	22,446
Culture and recreation	6,283	6,547	-	-	6,283	6,547
Interest	42,696	42,287	-	-	42,696	42,287
Sewer	-	-	351,864	268,977	351,864	268,977
Inspections	-	-	82,237	98,484	82,237	98,484
<b>Total expenses</b>	<b>646,685</b>	<b>670,839</b>	<b>434,101</b>	<b>367,461</b>	<b>1,080,786</b>	<b>1,038,300</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 198,283</b>	<b>\$ 229,417</b>	<b>\$ (21,364)</b>	<b>\$ 675,602</b>	<b>\$ 176,919</b>	<b>\$ 905,019</b>

**Governmental activities**

Governmental activities increased the Township's net assets by \$198,283 in 2007 compared to an increase of \$229,417 in 2006. The primary reason for the increase in net assets was the \$114,937 capital grant from the Department of Commerce that financed infrastructure costs that were capitalized. The primary reason for the larger increase in net assets in 2006 was a larger capital grant from the Department of Commerce. The cost of all governmental activities this year was \$646,685 compared to \$670,839 in 2006.

**Charter Township of Big Rapids**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

At December 31, 2007, the Township's governmental funds reported a combined fund balance of \$712,462, which represents an increase of \$169,423 compared to the prior year.

The fund balance of the General Fund decreased by \$21,782 in 2007. The decrease was primarily the result of an increase in expenditures in 2007. The General Fund's expenditures in 2007 were \$57,762 higher than in 2006 primarily due to a \$43,509 transfer to the Water Project Fund to finance debt service costs.

The fund balance of the Fire Fund increased this year by \$105,119 because property tax revenues exceeded the costs of public safety operating costs in 2007.

The fund balance of the Water Project Fund, a capital project fund, increased this year by \$87,472.

**General Fund budgetary highlights**

Revenues were \$51,687 more than anticipated primarily because contributions, charges for services and license and permit revenue were higher than expected. Expenditures were \$72,735 less than the amounts appropriated mainly due to the township taking a conservative approach to spending. These variances resulted in a \$124,422 positive budget variance, and a \$21,782 decrease in fund balance compared to a budgeted \$146,204 decrease.

**Capital assets and debt administration**

*Capital assets*

At December 31, 2007, the Township had invested \$4,645,482, net of depreciation, in various capital assets, including its land, buildings, equipment, vehicles, and infrastructure. This amount represents a net increase of \$66,503 in 2007.

This year's major capital asset additions included:

- Infrastructure improvements in the Industrial Park totaled \$192,534
- Acquired a new vehicle for use in wastewater treatment operations at a cost of \$20,800

*Debt administration*

At year end, the Township had outstanding bonds and notes payable in the amount of \$932,334. The Township retired debt in the amount of \$46,472 in 2007 and made all its debt service payments in a timely manner. No new debt was issued in 2007. More detailed information about the Township's long-term debt is presented in Note 7 of the notes to the basic financial statements.



***Charter Township of Big Rapids***  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Economic condition and outlook**

The Big Rapids Township Board has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.

The Township has undertaken a number of measures to offset declining revenues. Among them are reducing overall spending and working with a balanced budget.

The Township Board and staff remain optimistic that the Township's economic stability will be further enhanced by several projects in various stages of development including the Industrial Development Park, chain store development, and several apartment/condominium projects.

**Contacting the Township's financial management**

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors, and to demonstrate the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to:

Charter Township of Big Rapids  
Sherri Gilbert, Township Clerk  
14212 Northland Drive  
Big Rapids, MI 49307

Phone: (231) 796-3603

## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Charter Township of Big Rapids, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Big Rapids, Michigan, as of December 31, 2007, and for the year then ended, which collectively comprise the Charter Township of Big Rapids, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Charter Township of Big Rapids, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Big Rapids, Michigan, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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**Board of Trustees  
Charter Township of Big Rapids, Michigan  
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**Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Big Rapids, Michigan's basic financial statements. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.**

*Sigfried Crandall P.C.*

**April 30, 2008**

## **BASIC FINANCIAL STATEMENTS**

**Charter Township of Big Rapids**  
**STATEMENT OF NET ASSETS**  
December 31, 2007

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 578,051	\$ 539,994	\$ 1,118,045
Receivables	506,056	37,372	543,428
Deposit on truck	112,583	-	112,583
Total current assets	<u>1,196,690</u>	<u>577,366</u>	<u>1,774,056</u>
Noncurrent assets:			
Capital assets not being depreciated - land	259,152	-	259,152
Capital assets, net of depreciation	<u>2,791,240</u>	<u>1,595,090</u>	<u>4,386,330</u>
Total noncurrent assets	<u>3,050,392</u>	<u>1,595,090</u>	<u>4,645,482</u>
Total assets	<u>4,247,082</u>	<u>2,172,456</u>	<u>6,419,538</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	-	18,374	18,374
Deferred revenue	365,222	-	365,222
Bonds and notes payable	<u>38,187</u>	<u>10,000</u>	<u>48,187</u>
Total current liabilities	403,409	28,374	431,783
Noncurrent liabilities - bonds and notes payable	<u>864,147</u>	<u>20,000</u>	<u>884,147</u>
Total liabilities	<u>1,267,556</u>	<u>48,374</u>	<u>1,315,930</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,148,058	1,565,090	3,713,148
Restricted for:			
Public safety	178,896	-	178,896
Public works	29	-	29
Capital project	134,081	-	134,081
Debt service	90,517	-	90,517
Perpetual care	103,154	-	103,154
Unrestricted	<u>324,791</u>	<u>558,992</u>	<u>883,783</u>
Total net assets	<u>\$ 2,979,526</u>	<u>\$ 2,124,082</u>	<u>\$ 5,103,608</u>

See notes to financial statements

**Charter Township of Big Rapids**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 12,914	\$ -	\$ -	\$ -
General government	365,050	85,216	22,385	-
Public safety	154,403	12,109	20,576	-
Public works	43,464	-	4,261	114,937
Community and economic development	21,875	-	-	-
Recreation and culture	6,283	-	-	-
Interest on long-term debt	42,696	-	-	-
Total governmental activities	<u>646,685</u>	<u>97,325</u>	<u>47,222</u>	<u>114,937</u>
Business-type activities:				
Sewer	351,864	264,628	-	66,130
Inspections	82,237	59,066	-	-
Total business-type activities	<u>434,101</u>	<u>323,694</u>	<u>-</u>	<u>66,130</u>
Totals	<u>\$ 1,080,786</u>	<u>\$ 421,019</u>	<u>\$ 47,222</u>	<u>\$ 181,067</u>

General revenues:

Property taxes  
State shared revenue  
Interest income  
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

**Net (expenses) revenues and changes in net assets**

<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Totals</u></b>
\$ (12,914)		\$ (12,914)
(257,449)		(257,449)
(121,718)		(121,718)
75,734		75,734
(21,875)		(21,875)
(6,283)		(6,283)
<u>(42,696)</u>		<u>(42,696)</u>
 <u>(387,201)</u>		 <u>(387,201)</u>
	\$ (21,106)	(21,106)
	<u>(23,171)</u>	<u>(23,171)</u>
	 <u>(44,277)</u>	 <u>(44,277)</u>
<u>(387,201)</u>	<u>(44,277)</u>	<u>(431,478)</u>
 323,532	-	323,532
222,302	-	222,302
31,214	22,913	54,127
<u>8,436</u>	<u>-</u>	<u>8,436</u>
 <u>585,484</u>	 <u>22,913</u>	 <u>608,397</u>
 198,283	(21,364)	176,919
<u>2,781,243</u>	<u>2,145,446</u>	<u>4,926,689</u>
 <u>\$ 2,979,526</u>	 <u>\$ 2,124,082</u>	 <u>\$ 5,103,608</u>

See notes to the financial statements

**Charter Township of Big Rapids**  
**BALANCE SHEET - governmental funds**  
December 31, 2007

	<u>Major funds</u>			<u>Nonmajor funds</u>	<u>Total governmental funds</u>
	<u>General</u>	<u>Fire</u>	<u>Water Project</u>		
<b>ASSETS</b>					
Cash	\$ 223,146	\$ 103,649	\$ 75,442	\$ 175,814	\$ 578,051
Prepaid expenses	-	-	15,075	-	15,075
Deposit - fire truck	-	112,583	-	-	112,583
Receivables	210,162	161,813	134,081	-	506,056
Total assets	<u>\$ 433,308</u>	<u>\$ 378,045</u>	<u>\$ 224,598</u>	<u>\$ 175,814</u>	<u>\$ 1,211,765</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Deferred revenue	<u>\$ 166,004</u>	<u>\$ 199,218</u>	<u>\$ 134,081</u>	<u>\$ -</u>	<u>\$ 499,303</u>
Fund balances:					
Reserved for debt service	-	-	90,517	-	90,517
Unreserved	267,304	178,827	-	-	446,131
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	72,660	72,660
Permanent fund	-	-	-	103,154	103,154
Total fund balances	<u>267,304</u>	<u>178,827</u>	<u>90,517</u>	<u>175,814</u>	<u>712,462</u>
Total liabilities and fund balances	<u>\$ 433,308</u>	<u>\$ 378,045</u>	<u>\$ 224,598</u>	<u>\$ 175,814</u>	<u>\$ 1,211,765</u>

Total fund balances - all governmental funds \$ 712,462

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 3,050,392

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 134,081

Prepaid interest is reported in the funds, but not in the statement of net assets. (15,075)

Some liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. (902,334)

Net assets of *governmental activities* \$ 2,979,526



**Charter Township of Big Rapids****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended December 31, 2007

	<b>Major funds</b>			<b>Nonmajor funds</b>	<b>Total governmental funds</b>
	<b>General</b>	<b>Fire</b>	<b>Water Project</b>		
<b>REVENUES</b>					
Property taxes	\$ 191,468	\$ 176,275	\$ -	\$ -	\$ 367,743
Licenses and permits	12,109	-	-	-	12,109
Federal grants	-	-	211,724	-	211,724
State grants	222,302	-	-	8,779	231,081
Contributions from local units	22,385	14,598	-	-	36,983
Charges for services	27,265	-	-	3,240	30,505
Interest and rentals	21,959	6,466	5,478	7,811	41,714
Other	7,997	1,460	65,607	-	75,064
<b>Total revenues</b>	<b>505,485</b>	<b>198,799</b>	<b>282,809</b>	<b>19,830</b>	<b>1,006,923</b>
<b>EXPENDITURES</b>					
Legislative	12,914	-	-	-	12,914
General government	357,840	-	-	-	357,840
Public safety	-	83,750	-	4,449	88,199
Public works	84,409	-	159,244	16,767	260,420
Community and economic development	21,875	-	-	-	21,875
Recreation and culture	6,283	-	-	-	6,283
Capital outlay	437	9,930	-	-	10,367
Debt service:					
Principal	-	-	36,472	-	36,472
Interest	-	-	43,130	-	43,130
<b>Total expenditures</b>	<b>483,758</b>	<b>93,680</b>	<b>238,846</b>	<b>21,216</b>	<b>837,500</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>21,727</b>	<b>105,119</b>	<b>43,963</b>	<b>(1,386)</b>	<b>169,423</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	43,509	-	43,509
Transfers out	(43,509)	-	-	-	(43,509)
<b>Total other financing sources (uses)</b>	<b>(43,509)</b>	<b>-</b>	<b>43,509</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(21,782)</b>	<b>105,119</b>	<b>87,472</b>	<b>(1,386)</b>	<b>169,423</b>
<b>FUND BALANCES - BEGINNING</b>	<b>289,086</b>	<b>73,708</b>	<b>3,045</b>	<b>177,200</b>	<b>543,039</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 267,304</b>	<b>\$ 178,827</b>	<b>\$ 90,517</b>	<b>\$ 175,814</b>	<b>\$ 712,462</b>

See notes to financial statements

**Charter Township of Big Rapids**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - governmental funds (Continued)**  
*Year ended December 31, 2007*

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Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balances - total governmental funds (page 8)	\$ 169,423
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Capital assets:	
Assets acquired	192,534
Provision for depreciation	(90,593)
Long-term debt - principal repayments	36,472
Change in other assets/liabilities:	
Prepaid expenses	(12,766)
Deferred revenue	<u>(96,787)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 198,283</u>

**Charter Township of Big Rapids**  
**STATEMENT OF NET ASSETS - proprietary funds**  
December 31, 2007

	<u>Inspections</u>	<u>Sewer</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 96,753	\$ 443,241	\$ 539,994
Receivables	-	37,372	37,372
Total current assets	96,753	480,613	577,366
Noncurrent assets - capital assets, net of accumulated depreciation	-	1,595,090	1,595,090
Total assets	96,753	2,075,703	2,172,456
<b>LIABILITIES</b>			
Current liabilities:			
Payables	-	18,374	18,374
Bonds payable	-	10,000	10,000
Total current liabilities	-	28,374	28,374
Noncurrent liabilities - bonds payable	-	20,000	20,000
Total liabilities	-	48,374	48,374
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	1,565,090	1,565,090
Unrestricted	96,753	462,239	558,992
Total net assets	\$ 96,753	\$ 2,027,329	\$ 2,124,082

See notes to financial statements

**Charter Township of Big Rapids**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - *proprietary funds***  
*Year ended December 31, 2007*

	<u><i>Inspections</i></u>	<u><i>Sewer</i></u>	<u><i>Totals</i></u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 59,066	\$ 264,628	\$ 323,694
<b>OPERATING EXPENSES</b>			
Operation and maintenance	82,237	292,726	374,963
Depreciation	-	56,238	56,238
Total operating expenses	82,237	348,964	431,201
<b>OPERATING LOSS</b>	(23,171)	(84,336)	(107,507)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Connection fees	-	66,130	66,130
Interest revenue	5,344	17,569	22,913
Interest expense	-	(2,900)	(2,900)
Total nonoperating revenues	5,344	80,799	86,143
<b>CHANGE IN NET ASSETS</b>	(17,827)	(3,537)	(21,364)
<b>NET ASSETS - BEGINNING</b>	114,580	2,030,866	2,145,446
<b>NET ASSETS - ENDING</b>	\$ 96,753	\$ 2,027,329	\$ 2,124,082

*See notes to financial statements*

**Charter Township of Big Rapids**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended December 31, 2007

	<u>Inspections</u>	<u>Sewer</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 59,066	\$ 257,235	\$ 316,301
Payments to suppliers	(24,999)	(228,233)	(253,232)
Payments to employees	<u>(57,238)</u>	<u>(37,836)</u>	<u>(95,074)</u>
Net cash used in operating activities	<u>(23,171)</u>	<u>(8,834)</u>	<u>(32,005)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	(20,800)	(20,800)
Connection fees	-	66,130	66,130
Principal payments on capital debt	-	(10,000)	(10,000)
Interest payments on capital debt	<u>-</u>	<u>(2,900)</u>	<u>(2,900)</u>
Net cash provided by capital and related financing activities	<u>-</u>	<u>32,430</u>	<u>32,430</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>5,344</u>	<u>17,569</u>	<u>22,913</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(17,827)	41,165	23,338
<b>CASH - BEGINNING</b>	<u>114,580</u>	<u>402,076</u>	<u>516,656</u>
<b>CASH - ENDING</b>	<u>\$ 96,753</u>	<u>\$ 443,241</u>	<u>\$ 539,994</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating loss	\$ (23,171)	\$ (84,336)	\$ (107,507)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense	-	56,238	56,238
Change in assets and liabilities:			
Receivables	-	(7,393)	(7,393)
Deposits	-	20,800	20,800
Payables	<u>-</u>	<u>5,857</u>	<u>5,857</u>
Net cash used in operating activities	<u>\$ (23,171)</u>	<u>\$ (8,834)</u>	<u>\$ (32,005)</u>

See notes to financial statements

**Charter Township of Big Rapids**  
**STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund**  
*December 31, 2007*

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**ASSETS**

Cash	\$ <u>77,872</u>
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**LIABILITIES**

Payables	\$ <u>77,872</u>
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*See notes to the financial statements*

**Charter Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Charter Township of Big Rapids, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no component units, legally separate entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

**Charter Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the use of property tax revenues that are restricted for the financing of fire protection costs of the Township.

The Water Project Fund accounts for expenditures related to infrastructure improvements within the Big Rapids Area Industrial Park. A federal grant and bond proceeds are restricted resources that have financed the construction project.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

The Inspections Fund accounts for the activities of the Township's construction code inspections department.

The Township also reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.



**Charter Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Capital assets* - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., sewer systems, shared road costs, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 10 years
Vehicles	20 years
Sewer systems	40 years

*iv) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

**Charter Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*v) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

The 2007 taxable valuation of the Township totaled \$119,603,002, on which ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	1.2356	Operating	\$ 146,889
Fire	1.4828	Public safety	176,275

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, activity, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations* - The following schedule sets forth significant budget variance:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public Works	Industrial Park assessments	\$12,120	\$57,171	\$ (45,051)

**Charter Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH:**

Cash, as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Deposits	\$ 577,851	\$ 539,894	\$ 77,872	\$ 1,195,617
Cash on hand	<u>200</u>	<u>100</u>	<u>-</u>	<u>300</u>
Totals	<u>\$ 578,051</u>	<u>\$ 539,994</u>	<u>\$ 77,872</u>	<u>\$ 1,195,917</u>

*Deposits with financial institutions:*

Deposits are carried at cost and are maintained at a single financial institution in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. As of December 31, 2007, \$1,271,636 of the Township's bank balances of \$1,471,636 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits. The Township evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables, as of year end, for the Township's funds, are as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental:				
General Fund	\$ 134,834	\$ -	\$ 75,328	\$ 210,162
Fire Fund	161,813	-	-	161,813
Capital Project Fund	<u>-</u>	<u>-</u>	<u>134,081</u>	<u>134,081</u>
Total governmental	<u>\$ 296,647</u>	<u>\$ -</u>	<u>\$ 209,409</u>	<u>\$ 506,056</u>
Proprietary - Sewer Fund	<u>\$ -</u>	<u>\$ 37,372</u>	<u>\$ -</u>	<u>\$ 37,372</u>

**Charter Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - DEFERRED REVENUE:**

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds may also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

<i>Fund</i>	<i>Unearned Property taxes</i>	<i>Unavailable Federal grant</i>	<i>Totals</i>
General Fund	\$ 166,004	\$ -	\$ 166,004
Fire Fund	199,218	-	199,218
Water Project Fund	-	134,081	134,081
Totals	<u>\$ 365,222</u>	<u>\$ 134,081</u>	<u>\$ 499,303</u>

**NOTE 6 - CAPITAL ASSETS:**

Capital asset activity for the year ended December 31, 2007, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 259,152	\$ -	\$ -	\$ 259,152
Capital assets being depreciated:				
Buildings	384,313	-	-	384,313
Infrastructure	1,959,059	192,534	-	2,151,593
Vehicles	521,776	-	-	521,776
Equipment	148,307	-	-	148,307
Subtotal	<u>3,013,455</u>	<u>192,534</u>	<u>-</u>	<u>3,205,989</u>
Less accumulated depreciation for:				
Buildings	(44,076)	(2,905)	-	(46,981)
Infrastructure	(4,081)	(49,516)	-	(53,597)
Vehicles	(222,958)	(25,822)	-	(248,780)
Equipment	(53,041)	(12,350)	-	(65,391)
Subtotal	<u>(324,156)</u>	<u>(90,593)</u>	<u>-</u>	<u>(414,749)</u>
Total capital assets being depreciated, net	<u>2,689,299</u>	<u>101,941</u>	<u>-</u>	<u>2,791,240</u>
Governmental activities capital assets, net	<u>\$ 2,948,451</u>	<u>\$ 101,941</u>	<u>\$ -</u>	<u>\$ 3,050,392</u>

**Charter Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - CAPITAL ASSETS (Continued):**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets being depreciated - sewer system	\$ 1,898,814	\$ 20,800	\$ -	\$ 1,919,614
Less accumulated depreciation	<u>(268,286)</u>	<u>(56,238)</u>	<u>-</u>	<u>(324,524)</u>
Business-type activities capital assets, net	<u>\$ 1,630,528</u>	<u>\$ (35,438)</u>	<u>\$ -</u>	<u>\$ 1,595,090</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 14,770
Public safety	26,307
Public works	<u>49,516</u>
 Total	 <u>\$ 90,593</u>

**NOTE 7 - NONCURRENT LIABILITIES:**

At December 31, 2007, the Township's noncurrent liabilities consist of the following issues:

*Governmental activities:*

2005 Township of Big Rapids, County of Mecosta, State of Michigan special assessment bonds (industrial park), general obligation limited tax series; payable in annual installments ranging from \$11,600 to \$55,000, plus interest payable semi-annually at rates between 2.90% and 4.60%; final payment due July 2025	\$ 727,000
2005 Installment purchase agreement between and among the Township of Big Rapids, the Mecosta County Development Corporation, and Isabella Bank and Trust; payable in annual installments of \$20,584, including interest at 6.50%; final payment due December 2020	<u>175,334</u>
Total governmental activities	<u>\$ 902,334</u>

*Business-type activities:*

1992 Township of Big Rapids, County of Mecosta, sewer revenue bonds; payable in annual installments of \$10,000, plus interest at 7.25%; final payment due March 2010	<u>\$ 30,000</u>
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**Charter Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 - NONCURRENT LIABILITIES (Continues):**

Noncurrent liability activity for the year ended December 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Governmental activities:</i>					
2005 note payable	\$ 183,806	\$ -	\$ 8,472	\$175,334	\$ 9,187
2005 special assessment bonds	<u>755,000</u>	<u>-</u>	<u>28,000</u>	<u>727,000</u>	<u>29,000</u>
Total	<u>\$ 938,806</u>	<u>\$ -</u>	<u>\$ 36,472</u>	<u>\$902,334</u>	<u>\$ 38,187</u>
<i>Business-type activities:</i>					
1992 sewer revenue bonds	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 30,000</u>	<u>\$ 10,000</u>

At December 31, 2007, debt service requirements were as follows:

<u>Year ended December 31:</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 38,187	\$ 31,547	\$ 10,000	\$ 2,175
2009	39,784	40,007	10,000	1,450
2010	42,420	38,351	10,000	725
2011	44,097	36,554	-	-
2012	45,818	33,860	-	-
2013 - 2017	256,664	139,718	-	-
2018 - 2022	276,364	73,250	-	-
2023 - 2027	<u>159,000</u>	<u>14,708</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 902,334</u>	<u>\$ 407,995</u>	<u>\$ 30,000</u>	<u>\$ 4,350</u>

**NOTE 8 - PAYABLES:**

Payables, as of year end, for the Township's individual funds are as follows:

<u>Account</u>	
Proprietary funds - Sewer Fund	<u>\$ 18,374</u>

**Charter Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 9 - INTERFUND TRANSFER:**

The interfund transfer for the year ended December 31, 2007, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Water Project Fund	\$ <u>43,509</u>	General	\$ <u>43,509</u>

The transfer from the General Fund to the Water Project Fund moved unrestricted revenues, collected in the General Fund, to the Water Project Fund to finance debt service costs.

**NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for substantially all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan statutes assign the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township contributes 25% of each elected official's base salary and 10% of each qualified full time employees base salary to the plan, and the contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made required contributions of \$39,946 for the year ended December 31, 2007.

**NOTE 11 - CLAIMS ARISING FROM RISKS OF LOSS:**

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation. The risks of loss arising from general liability up to \$5,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance. Claims resulting from these risks have not exceeded insurance coverage in any of the past five fiscal years.

## REQUIRED SUPPLEMENTARY INFORMATION



**Charter Township of Big Rapids****BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 186,384	\$ 186,384	\$ 191,468	\$ 5,084
Licenses and permits	200	200	12,109	11,909
State grants	229,254	229,254	222,302	(6,952)
Contribution from local unit	-	-	22,385	22,385
Charges for services	18,350	18,350	27,265	8,915
Interest and rentals	18,500	18,500	21,959	3,459
Other	1,110	1,110	7,997	6,887
Total revenues	<u>453,798</u>	<u>453,798</u>	<u>505,485</u>	<u>51,687</u>
<b>EXPENDITURES</b>				
Legislative	<u>13,590</u>	<u>13,590</u>	<u>12,914</u>	<u>676</u>
General government:				
Supervisor/Assessor	103,576	95,370	84,275	11,095
Elections	5,850	5,850	193	5,657
Clerk	69,110	60,904	53,820	7,084
Treasurer	61,883	53,677	43,317	10,360
Board of review	2,195	2,195	1,114	1,081
Hall and grounds	11,840	11,840	8,549	3,291
Cemetery	110,112	116,581	89,563	27,018
General administration	95,891	95,891	77,009	18,882
Total general government	<u>460,457</u>	<u>442,308</u>	<u>357,840</u>	<u>84,468</u>
Public works:				
Road construction and maintenance	23,500	23,500	19,850	3,650
Industrial Park assessments	12,120	12,120	57,171	(45,051)
Street lights	8,200	8,200	7,388	812
Total public works	<u>43,820</u>	<u>43,820</u>	<u>84,409</u>	<u>(40,589)</u>
Community and economic development:				
Community promotion	8,240	8,240	10,000	(1,760)
Planning and zoning	18,650	18,650	11,875	6,775
Total community and economic development	<u>26,890</u>	<u>26,890</u>	<u>21,875</u>	<u>5,015</u>

**Charter Township of Big Rapids****BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2007

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Recreation and culture - parks and recreation	<u>\$ 8,385</u>	<u>\$ 8,385</u>	<u>\$ 6,283</u>	<u>\$ 2,102</u>
Capital outlay	<u>21,500</u>	<u>21,500</u>	<u>437</u>	<u>21,063</u>
Total expenditures	<u>574,642</u>	<u>556,493</u>	<u>483,758</u>	<u>72,735</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(120,844)</u>	<u>(102,695)</u>	<u>21,727</u>	<u>124,422</u>
<b>OTHER FINANCING USES</b>				
Transfer out	<u>(43,509)</u>	<u>(43,509)</u>	<u>(43,509)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(164,353)</u>	<u>(146,204)</u>	<u>(21,782)</u>	<u>124,422</u>
<b>FUND BALANCES - BEGINNING</b>	<u>289,086</u>	<u>289,086</u>	<u>289,086</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 124,733</u>	<u>\$ 142,882</u>	<u>\$ 267,304</u>	<u>\$ 124,422</u>

**Charter Township of Big Rapids**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 176,354	\$ 176,354	\$ 176,275	\$ (79)
Contribution from local unit	12,000	12,000	14,598	2,598
Interest and rentals	1,000	1,000	6,466	5,466
Other	500	500	1,460	960
Total revenues	<u>189,854</u>	<u>189,854</u>	<u>198,799</u>	<u>8,945</u>
<b>EXPENDITURES</b>				
Public safety	105,800	105,800	83,750	22,050
Capital outlay	<u>118,000</u>	<u>118,000</u>	<u>9,930</u>	<u>108,070</u>
Total expenditures	<u>223,800</u>	<u>223,800</u>	<u>93,680</u>	<u>130,120</u>
<b>NET CHANGE IN FUND BALANCES</b>	(33,946)	(33,946)	105,119	139,065
<b>FUND BALANCES - BEGINNING</b>	<u>73,708</u>	<u>73,708</u>	<u>73,708</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 39,762</u>	<u>\$ 39,762</u>	<u>\$ 178,827</u>	<u>\$ 139,065</u>

## **SUPPLEMENTARY INFORMATION**

**Charter Township of Big Rapids**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
December 31, 2007

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	<u>Special revenue</u>			<u>Capital project</u>	<u>Permanent</u>	
	<u>Cemetery</u>	<u>Metro</u>	<u>Liquor Law</u>	<u>Industrial Park</u>	<u>Perpetual Care</u>	<u>Totals</u>
<b>ASSETS</b>						
Cash	<u>\$ 72,562</u>	<u>\$ 29</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 103,154</u>	<u>\$ 175,814</u>
<b>FUND BALANCES</b>						
Unreserved, undesignated	<u>\$ 72,562</u>	<u>\$ 29</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 103,154</u>	<u>\$ 175,814</u>

**Charter Township of Big Rapids**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2007

	<u>Special revenue</u>			<u>Capital project</u>	<u>Permanent</u>	
	<u>Cemetery</u>	<u>Metro Act</u>	<u>Liquor Law</u>	<u>Industrial Park</u>	<u>Perpetual Care</u>	<u>Totals</u>
<b>REVENUES</b>						
State grants	\$ -	\$ 4,261	\$ 4,518	\$ -	\$ -	\$ 8,779
Charges for services	3,240	-	-	-	-	3,240
Interest	7,449	345	-	-	17	7,811
Total revenues	10,689	4,606	4,518	-	17	19,830
<b>EXPENDITURES</b>						
Public safety	-	-	4,449	-	-	4,449
Public works	-	16,674	-	93	-	16,767
Total expenditures	-	16,674	4,449	93	-	21,216
<b>NET CHANGE IN FUND BALANCES</b>	10,689	(12,068)	69	(93)	17	(1,386)
<b>FUND BALANCES - BEGINNING</b>	61,873	12,097	-	93	103,137	177,200
<b>FUND BALANCES - ENDING</b>	\$ 72,562	\$ 29	\$ 69	\$ -	\$ 103,154	\$ 175,814

**April 30, 2008**

**To the Board of Trustees  
Charter Township of Big Rapids**

**We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Big Rapids for the year ended December 31, 2007, and have issued our report thereon dated April 30, 2008. Professional standards require that we provide you with the following information related to our audit.**

***Our Responsibility under U.S. Generally Accepted Auditing Standards***

**As stated in our engagement letter dated November 27, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.**

***Qualitative Aspects of Accounting Practices***

**Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Big Rapids are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Charter Township of Big Rapids during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.**

**Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.**



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Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended December 31, 2007.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the auditors of the Charter Township of Big Rapids. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Charter Township of Big Rapids as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered



the Charter Township of Big Rapid's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Charter Township of Big Rapids and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Siegfried Crandall P.C.*